**EMBARGO 07:00** **04 May 2023**

# AIB GROUP PLC – Q1 2023 TRADING UPDATE (UNAUDITED)

## Very strong Q1 performance driven by growth in revenue

*"Today I am pleased to announce that the Group had a very strong first quarter performance and, with continued momentum across our business, we are very confident in our outlook for 2023. Notwithstanding the overseas financial market volatility, AIB remains in a position of strength with a robust balance sheet, stable deposit base and growing loan book enabling us to support our customers and the wider economy. We remain on track to deliver sustainable returns for our shareholders guided by our medium-term target of RoTE >13% which we expect to be in the high-teens in 2023."*

***- Colin Hunt, Chief Executive Officer***

**Key highlights:** ***(all comparisons Q1 2023 versus Q1 2022 unless otherwise stated)***

- Strong profitability in Q1; 2023 guidance revised upwards to expect:
  - Net interest income (NII) >€3.3bn and net interest margin (NIM) >2.70%
  - RoTE[1] in 2023 expected to be in the high-teens, exceeding >13% medium-term target
- Total income increased 70% supported by the higher interest rate environment
  - Q1 NIM 2.78%; NII up 16% and 93% compared to Q4 2022 and Q1 2022 respectively
  - Other income increased 15%, increase of 10% in fee and commission income
- Costs[2] up 14% reflecting inflationary environment and growth in customer and employee numbers over the past twelve months
- Small net credit impairment charge in Q1
- Gross loans increased to €61.8bn, up €0.6bn since Dec 22; new lending of €2.9bn up 5%
  - Mortgage market share 31% Mar YTD[3]
- NPEs at €2.1bn or 3.4% of gross loans (Dec 22: €2.2bn or 3.5%)
- Strong and diversified funding: Stable customer accounts of €102.2bn; €0.75bn social bond issued
- Fully loaded CET1 of 15.4% (Dec 22: 16.3%) reflecting RWAs for the Ulster Bank tracker mortgage acquisition and the €215m completed directed buyback with the Irish State
- A further 100,000 new accounts opened as we welcome new customers from exiting banks; market share of account openings at 48%[4]
- Sustainability leader as AIB was the first bank globally to secure a scientifically validated electricity generation maintenance target from the Science Based Targets initiative (SBTi)

## Financial Performance

The Group recorded a very strong financial performance in the first quarter of 2023.

NII was significantly higher in Q1 2023 compared to Q1 2022 primarily as a result of the change in official ECB interest rates. The Group operated in a negative interest rate environment in Q1 2022 compared to entering 2023 with an ECB deposit rate at 2%. The Q1 2023 NIM of 2.78% was 60bps higher than the Q4 2022 exit NIM of 2.18%[5] primarily driven by the higher interest rate environment and an increase in average loan volumes. For 2023 we expect NII of >€3.3bn and NIM of >2.70% which compares to our previous guidance of >€3.0bn and >2.40% respectively.

Other income increased 15% on the equivalent prior year period with strong performances across fee-based lines. Other income also included a forward contract for the acquisition of Ulster Bank's tracker mortgages[6]. We expect full year 2023 other income of c. €750m.

Operating costs were up 14% in Q1 2023 and reflects the impact of wage and general inflation, customer onboarding costs and increased customer servicing as a result of a larger customer base and higher staff numbers given the enlarged Group. FTEs at end Q1 2023 were 9,746, an increase of 156 from Dec 22. While inflationary pressures persist, in line with guidance, we expect costs in FY 2023 to be <€1.75bn.

A small net credit impairment charge was recorded in Q1. At this point, we maintain our conservative, forward-looking and comprehensive ECL approach and for FY 2023 we expect a cost of risk (CoR) at the lower end of our through-the-cycle range of 30-40bps.

## Balance sheet

Gross loans of €61.8bn were up €0.6bn in the quarter (Dec 22: €61.2bn) primarily driven by strong new lending exceeding redemptions and further migration of €0.16bn Ulster Bank corporate and commercial loans. We expect customer loans to grow by >8% in 2023.

Asset quality remains resilient. However we are ever vigilant with careful management of the loan book as we monitor the impact of inflation and rising interest rates. Our investment property book (CRE) of €7.7bn is split 75% ROI and 25% UK. The portfolio is well-diversified with no individual sector concentration and characterised by conservative underwriting standards with an average LTV of c. 50%. Land and development is a relatively small part of the overall property portfolio at €1.4bn, dominated by residential development including social housing.

In Q1, total new lending of €2.9bn (+5% versus Q1 22) was recorded with positive trends across Retail Banking and AIB UK.

The Irish mortgage market continued to perform strongly in Q1 2023. Our new mortgage lending in Ireland was €0.9bn in the quarter, up 7%, and resulted in market share of 31%. Personal lending in Retail Banking was up 24% reflecting a recovery in consumer credit demand. SME credit demand in Ireland remains subdued and new lending was in line with the equivalent prior year period.

New lending in Capital Markets was broadly in line with the equivalent prior year period with a 9% increase in corporate banking and lower property lending reflecting less activity in the commercial investment market. In AIB UK, new lending increased in Q1 2023 driven by new lending to energy & infrastructure and social housing.

We continue to support our customers with the transition to a lower-carbon economy. In Q1 green lending accounted for c. 20% of new lending and we are on track to deliver our €10bn climate action fund by the end of 2023 with €8.5bn of new green lending since 2019.

NPEs decreased to €2.1bn or 3.4% of gross loans (Dec 2022: €2.2bn or 3.5%). We are well-progressed towards our target of c. 3% by end 2023.

## Funding and Capital

AIB's balance sheet remains strong with ample and diversified funding. Customer accounts were stable at €102.2bn with 76% in our Retail Banking segment (Dec 22: 74%) and 53% of all customer accounts are DGS insured. The mix between current accounts and deposits remains broadly unchanged from Dec 22. The Group continues to have strong funding and liquidity ratios with an LDR of 59%, LCR of 190% and NSFR of 158% [7] at Q1 2023. The majority of our excess liquidity is deposited with the Central Bank of Ireland (€30.9bn) and Bank of England (€3.8bn).

The fully loaded CET1 at the end of Q1 was 15.4% (Dec 2022 16.3%), comfortably ahead of regulatory requirements and reflects the impact of the completed €215m share buyback (40bps) and increased RWAs for the Ulster Bank tracker mortgage portfolio (60bps). Other movements in CET1 in Q1 include organic capital generation partially offset by a dividend accrual (in line with CRR guidance) and an increase in organic RWAs primarily as a result of balance sheet growth.

## Sustainability

Environmental:

- AIB is the first bank globally to secure a scientifically validated electricity generation maintenance target from the SBTi, recognising the existing low-carbon intensity of AIB's electricity generation loan book. Financed emissions targets for 75% of the AIB loan book now validated by SBTi
- On track to deliver our €10bn climate action fund by the end of 2023 with €8.5bn of new green lending since 2019

Social & Economic:

- AIB supported the humanitarian agency GOAL through the promotion of the GOAL Syria & Turkey Crisis Appeal and raising c. €460,000 customer donations through our mobile banking app supporting over 245,000 impacted people with their daily water needs for a month
- Issued our second social bond in January 2023 for €750m

Governance

- AIB completed a €215m directed buyback with the Irish State bringing the State's shareholding to 53.29% as at 25 April 2023
- Partnership announced with the 30% Club Ireland to offer 30 new access opportunities for women in SMEs on the IMI-30% Club's Cross Company Mentoring Programme

## Outlook

As we are now in the final year of our current strategic cycle, our focus remains on the implementation of our organic and inorganic initiatives, adapting to a changing environment and supporting our unique customer franchise. Following a strong first quarter and with a resilient balance sheet and favourable domestic economic backdrop we are confident for the remainder of the year.
We remain on track to deliver sustainable returns for our shareholders guided by our medium-term target of RoTE >13% which we expect to be in the high-teens in 2023.

We will announce our half-yearly financial results on 28 July 2023.

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**Analyst conference call**
Colin Hunt, CEO and Donal Galvin, CFO, will host a conference call today at 08.30 IST

Conference call access
Click on the link below and enter your details to receive a unique PIN to access the call on the day or to request a free call back which connects you to the meeting automatically up to 15 mins before the event https://register.vevent.com/register/BI10db858849424ff595623dfce4ad533c

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*Note: Figures presented above may be subject to rounding*

*Abbreviations:*
*CCPC: Competition and Consumer Protection Commission*
*DGS: Deposit guarantee scheme*
*FTE: Full time equivalents*
*IMI: irish Management Institute*
*Liquidity metrics: Loan to deposit ratio (LDR); Liquidity coverage ratio (LCR); Net stable funding ratio (NSFR)*

*(1) RoTE = (PAT – AT1) / (CET1 @ 13.5% of RWAs)*
*(2) Costs before bank levies and regulatory fees and exceptional items*
*(3) Source: Mortgage drawdowns BPFI March 2023*
*(4) New accounts opened across the three main Irish retail banks*
*(5) Q4 exit NIM excludes €16m of net TLTRO benefit*
*(6) Under the agreement to acquire the Ulster Bank tracker mortgages, the Group acquired an economic interest in the portfolio from 1 Sept 2022. The agreement received CCPC approval in Jan 2023 with formal completion expected in 2023. At Dec 2022 the eligible loans subject to the agreement were €5.4bn. Additional movements are anticipated in the portfolio up to completion*
*(7) Subject to finalisation*

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**Forward Looking Statements**

*This document contains certain forward looking statements with respect to the financial condition, results of operations and business of AIB Group and certain of the plans and objectives of the Group. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'may', 'could', 'will', 'seek', 'continue', 'should', 'assume', or other words of similar meaning. Examples of forward looking statements include, among others, statements regarding the Group's future financial position, capital structure, Government shareholding in the Group, income growth, loan losses, business strategy, projected costs, capital ratios, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking information. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. These are set out in the Principal risks on pages 23 to 25 in the 2022 Annual Financial Report. In addition to matters relating to the Group's business, future performance will be impacted by the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, the impact of higher inflation on customer sentiment and by Irish, UK and wider European and global economic and financial market considerations. Future performance will further be impacted by the direct and indirect consequences of the Russia-Ukraine war on European and global macroeconomic conditions and any enduring effects of the COVID-19 pandemic. Any forward looking statements made by or on behalf of the Group speak only as of the date they are made. The Group cautions that the list of important factors on pages 23 to 25 of the 2022 Annual Financial Report is not exhaustive. Investors and others should carefully consider the foregoing factors and other uncertainties and events when making an investment decision based on any forward looking statement.*